

CROATIA

Capital: Zagreb

GDP per capita (PPP): \$5,800 (2000 est.)

Population: 4,334,142 (July 2001 est.)

Foreign Direct Investment: \$750,000,000

Inflation: 6% (2000 est.)

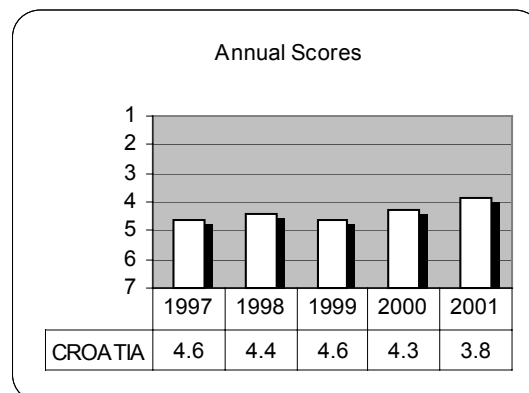
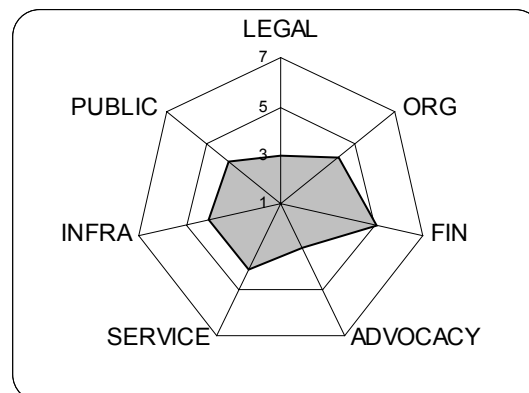
Unemployment: 22% (October 2000)

OVERALL RATING: 3.8

While the situation of NGOs in Croatia continues to improve, the sector's long-term prospects are still influenced by the weak economy and difficult social conditions in the country.

The number of registered NGOs continues to be relatively stable at approximately 18,981, out of which the vast majority, or 17,065, operate on the local level and the remaining 1,916 on the national level. The largest number of NGOs operates in the areas of sport, culture, economy, social services, humanitarian assistance, and veteran and youth issues. Meanwhile, the strongest NGOs tend to be based in urban areas, focusing on humanitarian assistance, social services, peace and human rights, women's issues, environment and culture.

In the past year, the Parliament enacted several laws that improved the overall NGO legal environment. Most NGOs are still very fragile and face serious obstacles to long-term organizational and financial sustainability. Intermediary support organizations, including regional NGO support centers and training organizations, continue to develop and provide valuable services to smaller NGOs. They have also become important in promoting networking, voluntarism, philanthropy and NGO-government-business cooperation. In 2001, Croatian NGOs continued to improve their public image. NGO-government cooperation is also improving, as local authorities are becoming more open to and interested in working with NGOs.

**LEGAL ENVIRONMENT: 3.0**

Significant improvements were made in the legal framework for NGOs in Croatia during 2001. In January, a new comprehensive package of tax laws came into

force, which provides favorable treatment of NGOs in several regards. For example, donations to NGOs in certain fields are deductible up to 2% of the in

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dividual or company's total income. The new legislation also provides tax breaks on income generated by NGOs through economic activities. In June, a supplementary VAT regulation went into effect that makes the purchases of domestic goods and services by NGOs exempt from VAT when funded through foreign donations. In July 2001, revisions to the Law on Foundations and Funds were also enacted, thereby allowing foreign foundations to establish branch offices in Croatia.

Most important of all, in September 2001, the Parliament passed the new Law on Associations, which represents a significant improvement over the previous law and largely complies with international standards and regional best practices. For example, the new law streamlines the registration process, reduces the number of founders required, allows unregistered organizations to operate, and contains flexible rules regarding internal governance. The new law resulted from broad, collaborative, open, and transparent efforts that in-

cluded government officials, NGOs and representatives of the international community. The new law comes into effect on January 1, 2002; therefore, its real impact will begin to be felt in the next year. Unfortunately, many NGOs and businesses are still not fully aware of the implications of the new laws.

Several NGOs in Croatia, including the Croatian Law Center, NGO support centers, B.a.B.e., Croatian Helsinki Committee and other human rights groups, specialize in legal issues. There is also a group of NGO lawyers trained in non-profit legislation, who provide legal assistance in the primary cities. However, NGOs are not always aware of the legal services provided by these groups.

Despite the fact that NGOs were still registering under the complicated and time-consuming registration procedures of the old Law on Associations during 2001, most NGOs did not face serious difficulties in getting registered.

ORGANIZATIONAL CAPACITY: 4.0

Most NGOs are still weak organizationally, due partly to the difficult economic and social conditions in the country. NGOs receiving foreign donor support tend to be stronger organizationally than those that have not received foreign assistance.

Most NGOs have clearly defined missions, although few incorporate strategic planning techniques in their decision-making processes. Again, NGOs that receive foreign assistance are more likely to engage in strategic planning. Generally, NGO statutes define clear internal structures, but these structures are not always fully respected. Often there is a lack of transparency in NGO activities and decision-making proc-

esses. NGOs remain ignorant of conflict of interest issues, as demonstrated by the fact that family members are often hired to provide services within an NGO. Few NGOs have well-developed boards. Larger and well-developed NGOs generally have paid staff, while many smaller organizations may have only one paid employee and many volunteers.

Many NGOs have adequate technical equipment and Internet access and communicate through the electronic network *Zamir.net*. However, much of this equipment is out-of-date or the private property of one of their members.

Croatian NGOs are still very weak in

constituency building and there are still not many attempts by NGOs to develop

this skill.

FINANCIAL VIABILITY: 5.0

Financial sustainability is still the most significant obstacle for Croatian NGOs due to the difficult social and economic conditions in the country and the weak philanthropic culture. While funding to larger NGOs still comes primarily from foreign donors, as donor assistance decreases, domestic sources are beginning to make small contributions to the NGO sector. Domestic sources of funding include the Government Office for NGO Cooperation, local governments, and, increasingly, the corporate sector. A few commercial banks and companies such as Zagrebacka Banka, Lura, and Pliva have begun to provide grants to NGOs, although they do not always respect open, competitive and transparent procedures. Grants are mostly given to NGOs in the area of culture, education, sport, health, and children and youth programs. The practice of small in-kind contributions to community groups by small businesses is also becoming more common. Local governments and cities are also becoming more willing to provide office space to NGOs under favor-

able conditions. However these options are still not available to human rights and peace groups.

Very few NGOs are in a position to earn income and only a few NGOs have succeeded in signing contracts with one of the cities or the Ministry of Labor and Social Welfare to provide social services. There are also very few organizations that collect significant funds through membership dues. Most NGOs have limited membership and very low dues.

With the exception of a few strong NGOs, most NGOs do not have diversified sources of funding or well-developed financial management systems in place. The majority of Croatian NGOs continue to have weaknesses regarding financial transparency and accountability, as demonstrated by the fact that few organizations publish annual reports with financial statements.

ADVOCACY: 3.0

As a result of efforts by the Government Office for NGO Cooperation and a few ministries (including the Ministry of Environment, Labor and Social Welfare, and Justice), communication among NGOs, the central government and the Parliament has continued to improve slowly. NGOs are also cooperating more effectively with local government. For example, larger cities like Split and Rijeka have begun to include NGOs as partners in public policy dialogue. A limited number of NGOs in fields such as women's rights, human rights, disability

rights, and the environment have been effective in influencing public policy. In addition, several NGOs were directly engaged in promoting legal changes in the Law on Associations through direct communication with the Ministry of Justice and the Government Office for NGO Cooperation. However, most NGOs do not lobby or advocate on policy issues effectively, and long-term collaboration and partnership between NGOs and the government is still the exception, rather than the rule. This is partly a result of the fact that few government represen

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tatives or MPs recognize the non-profit sector as a relevant player in policy dialogue.

Over the past year, there were several

advocacy campaigns focused on issues such as violence against women, volunteerism, human rights, rule of law and peace building.

SERVICE PROVISION: 4.0

The most common services provided by NGOs are in the areas of social welfare, health, education/training, legal assistance and empowerment. A significantly smaller number of NGOs provide assistance in economic development or governance. Almost no NGOs actively provide services in the areas of environmental protection, housing, water or energy. Most of services provided by NGOs reflect the needs and priorities of the constituencies and communities in which the NGOs operate.

Services provided in the area of education/training, social services, legal assistance and empowerment are offered to a wide number of citizens, while relatively few NGO products have been successfully marketed to local governments, political parties and other NGOs.

Most government officials still do not recognize the value and services that

NGOs can provide, due to their general lack of awareness and knowledge about civil society. However, thanks to the efforts of the Government Office for NGO Cooperation and some opening at the local level, the practice of contracting to NGOs to provide services has been introduced. The Split Department for Health and Social Welfare is the most advanced in terms of social contracting, with most of these contracts focusing on the provision of social services to women, children, and the elderly. This year the Government Office for NGO Cooperation also initiated a social contracting procedure through their call for proposals.

A few NGOs have started to recover some costs for the services that they provide. Training organizations are amongst the most successful example of this, earning approximately 25% of their costs for providing various services.

INFRASTRUCTURE: 4.0

Intermediate support organizations have developed significantly. Three new regional NGO support centers and three training organizations now actively service other NGOs. Regional NGO support centers provide training, technical and legal assistance, and promote voluntarism and cooperation with local governments. They have also begun to take a more pro-active role in networking by organizing annual regional NGO forums.

Training organizations effectively provide basic NGO management training throughout the country. Many NGO trainers have become competent and respected resources, and are used not only by NGOs but also by local governments and the donor community. However, advanced and more specialized training in NGO management is still lacking in Croatia. Training organizations and regional NGO support centers have developed close partnerships with each other.

Training materials in the Croatian language are being developed slowly. New publications on facilitation skills, community development, community philanthropy, and legal issues were published over the past year. Some publications, such as the NGO Handbook published by Odraž last year, are also now available electronically.

Croatia still does not have truly indigenous grant-making organizations or community foundations that provide grants to NGOs. Most local grant-making organizations are affiliated with

foreign organizations or foundations such as the Regional Environmental Center and the Open Society Institute Croatia.

Information sharing takes place mostly through networks such as the environmental network *Green Forum*, the Women's Network, the Legal Coalition and the electronic network *ZaMirNET*. The three NGO support centers are also taking on a more pro-active role in encouraging information-sharing on a regional level.

PUBLIC IMAGE: 3.8

The public image of NGOs has improved somewhat. Media coverage of NGO activities is increasing, especially in the print media. There are also some smaller developments with electronic media. For example, state TV programs broadcasts in the morning and afternoon (*Dobro Jutro* and *Svakodnevnica*) have

increased their coverage of NGO activities. NGO activities are not generally portrayed negatively as they were in the past. Many NGOs are putting more efforts into improving their media skills and media relations. Despite these developments, most Croatians do not understand the role of NGOs in society.